



STATE OF IOWA

CHESTER J. CULVER, GOVERNOR
PATTY JUDGE, LT. GOVERNOR

DEPARTMENT OF HUMAN SERVICES
CHARLES J. KROGMEIER, DIRECTOR

INFORMATIONAL LETTER NO. 886

DATE: March 1, 2010

TO: Iowa Medicaid Providers of Targeted Case Management

ISSUED BY: Iowa Department of Human Services, Iowa Medicaid Enterprise (IME)

RE: Case Management 2.5% Rate Reduction

On October 8, 2009 Governor Culver issued Executive Order 19 which mandated a 10 % across-the-board cut in state government spending. As a result, the Department of Human Services enacted rule changes as part of the effort to achieve the savings required in the Executive Order. This included a 2.5% rate reduction for providers of Targeted Case Management, effective December 1, 2009.

The IME proposed to implement the reduction using a methodology based on the finalized FY'08 cost reports. After receiving much input on alternative methods, there was no clear consensus, but the majority favored using a more recent finalized cost report even though this carries more risk for overpayment, which would result in a repayment from the provider at cost settlement time.

Based on the majority input, we will proceed to determine prospective rates based on the finalized actual cost for the period ending June 30, 2009, plus an inflation factor of 4.8%, then minus the 2.5% reduction, for an overall inflation factor of 2.3%.

- If a review of your FY'09 cost report has been completed, a prospective rate will be based on the finalized rate plus inflation.
- If a review is not completed by February 28th, the prospective rate will be based on the submitted cost report.

The IME will send each provider a notification letter with their prospective rate(s) by March 1, 2010. Because these rates will differ from those that have been used to pay claims with dates of service beginning December 1, 2009, we will process mass adjustments to take those payments back and reimburse at the new rate. This mass adjustment will be included on your remittance advice dated March 22, 2010. If adjustments are made to your finalized FY'09 actual cost report, a second mass adjustment of claims will be needed to return the difference when finalization is complete.

Due to this change in methodology, the Provider Cost Audit and Rate Setting Unit will not be accepting projected FY'10 cost reports. If you have submitted a projected FY'10 cost report, a review will not be completed and your prospective rate for FY'10 will be calculated based on the methodology described in this letter.

At cost settlement, if your cost does not support the payments made for claims with dates of service from December 1, 2009, – June 30, 2010, you will be required to return the difference between actual cost and the prospective rate. If actual cost exceeds the prospective rate, the amount paid to you shall be actual cost less 2.5% not to go lower than the prospective rate. Below are examples of how cost settlement will occur:

Actual cost is lower than the prospective rate

- The prospective rate based on FY'09 is calculated at \$255.00 from December 1 through June 30.
- When the FY'10 cost report is submitted the rate comes in at \$250.00.
- The FY'10 rate would be cost settled at \$250.00 for December through June. The provider must pay back the overpayment (\$255.00-\$250.00), but is reimbursed at 100% of cost.

Actual cost is higher than the prospective rate (with 2.5% reduction is under prospective rate)

- The prospective rate based on FY'09 is calculated at \$255.00 from December 1 through June 30.
- When the FY'10 cost report is submitted the rate comes in at \$260.00.
- Applying the 2.5% reduction results in a rate of \$253.50. The FY'10 rate would be cost settled at \$255.00 for December through June. This would result in no underpayment or overpayment, but the provider does not receive 100% of cost (1.9% reduction in this example).

Actual cost is higher than the prospective rate (with 2.5% reduction is still over prospective rate)

- The prospective rate based on FY'09 is calculated at \$255.00 from December 1 through June 30.
- When the FY'10 cost report is submitted the rate comes in at \$265.00.
- Applying the 2.5% reduction results in a rate of \$258.38. The FY'10 rate would be cost-settled at \$258.38 for December through June. This would result in the provider receiving an underpayment from Iowa Medicaid (\$258.38-\$255.00), but does not recover 100% of cost at cost-settlement (2.5% reduction).

If you have any questions please contact the IME Provider Cost Audit and Rate Setting Unit at (866) 863-8610 or 515-256-4610 (Local), or by email at: costaudit@dhs.state.ia.us